

Virginia Retirement System

2022 Fiscal Impact Statement

1. **Bill Number:** HB 56

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Wiley

3. **Committee:** Appropriations

4. **Title:** Pensions; enhanced retirement benefits for juvenile detention specialists.

5. **Summary:** Requires each political subdivision participating in the Virginia Retirement System and each county or city participating in the Virginia Retirement System to provide retirement benefits comparable to the benefits provided to state police officers to juvenile detention specialists. The bill, as drafted, also requires localities that elect to provide the enhanced benefits to provide them to all categories of eligible employees listed.

6. **Summary of Impacts**

Benefit(s) impacted: Individual local plans. The bill requires local employers to provide juvenile detention specialists with enhanced hazardous duty benefits comparable to those of state police officers. Going forward, requires localities that elect hazardous duty benefits to do so for all categories of hazardous duty employees (i.e., police, fire fighters, and EMT) in addition to juvenile detention specialists. Currently, localities have the option to elect which category of hazardous duty positions they will cover with enhanced hazardous duty benefits. For example, the locality can elect to cover fire fighters and police, but not EMT.

Impact to unfunded liability (see Item 9 for details): Indeterminate. Will impact the unfunded liabilities of individual local plans since it requires localities to offer enhanced benefits to juvenile detention specialists and going forward eliminates the ability for localities to elect which category or categories of employees to provide with enhanced hazardous duty benefits.

Impact to contribution rate(s) (see Item 9 for details): New employers participating in the coverage will be charged the higher contribution rate upon the effective date of coverage.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, all local employers with juvenile detention specialists, and all local employers that elect hazardous duty benefits under § 51.1-138 in the future.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$162,000 NGF in FY 2022.

Employer cost to implement (see Item 7 and Item 8 for details): Indeterminate, but there will be an impact to local employers who employ juvenile detention specialists.

Other VRS and employer impacts: See Items 7, 9, 11, and 12 for details.

GF budget impacts (see Item 8 for details): None.

NGF budget impacts (see Item 8 for details): \$162,000 NGF in FY 2022 for implementation.

7. **Budget Amendment Necessary:** Yes. In Item 494, VRS implementation costs are estimated to be approximately \$162,000 in FY 22 to cover the cost of programming and testing, as well as updating employee and employer communications, with minimal ongoing costs. This does not include the impact to current or future local contribution rates or to the funded status of the local plans, which are discussed below.
8. **Fiscal Impact Estimates:** More detail on the fiscal impact is explained in Item 9 below.
9. **Fiscal Implications:** The costs of the benefits would be borne by the local political subdivisions. For localities employing juvenile detention specialists and for future localities that elect the benefits for other hazardous duty employees, the enhanced benefits would apply to the past and prospective service in these positions.

Information from the Virginia Juvenile Detention Association estimates that there are 827 full-time direct care staff who may be considered juvenile detention specialists, and 155 full-time supervisors of direct care staff. Some of the localities reported are not VRS-covered employers. Smaller juvenile detention centers may have 10 juvenile detention specialists, while larger centers may have more than 90.

However, since juvenile detention specialists are currently not specifically identified by job name in VRS employer reporting and some of the juvenile detention centers whose numbers were provided are not VRS-covered employers, it is difficult to anticipate the number of members who could be eligible.

While the costs to provide these benefits will vary by employer due to the underlying demographics of each employer, we do know the average employer cost for political subdivisions to provide enhanced hazardous duty benefits as of June 30, 2021, was 20.64% as compared to 8.07%, which is the average employer cost for general employees. The higher cost is due to both earlier retirement eligibility as well as the cost of the hazardous duty supplement, which is currently \$1,222 per month for those with at least 20 years of hazardous duty service.

The bill will require localities to provide enhanced hazardous duty coverage to juvenile detention specialists. As currently drafted, the bill also requires localities that elect hazardous duty benefits going forward to provide enhanced hazardous duty coverage to all categories of employees who are eligible under the section if they elect to provide any category of employee with the coverage since “or” was replaced with “and.” Under § 51.1-138, localities can currently make an irrevocable election to provide enhanced hazardous duty benefits to any or all of the various categories of employees listed. The election involves choosing between a 1.7% multiplier and a 1.85% multiplier for the retirement benefit, as well as the

option to elect a hazardous duty supplement currently equal to \$1,222 per month and continuing until Social Security normal retirement age. The supplement is increased every two years based on Social Security cost of living adjustments. The VRS normal retirement age for employees eligible for enhanced hazardous duty coverage becomes age 60 rather than 65, and employees are eligible for an unreduced benefit at age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit.

Typically, if a locality is already providing enhanced hazardous duty coverage to other eligible job classifications or desires to elect the enhanced duty coverage for certain or additional categories of eligible employees, it would need to follow the standard election procedures of requesting an actuarial study and then passing a new resolution to add the benefit for those employees. If the employer chooses to do nothing, the employees would not receive the enhanced benefit.

The bill eliminates the option for the locality to select the specific categories of eligible employees to be covered by replacing “or” in line 24 with “and” in line 26. This requires employers that are electing enhanced hazardous duty benefits to elect them for all of these positions or none of them.

10. Specific Agency or Political Subdivisions Affected: VRS, all participating local employers with juvenile detention specialists, and all participating local employers that elect benefits under § 51.1-138 in the future.

11. Technical Amendment Necessary: Yes.

VRS is requesting that the effective date of this legislation be delayed until July 1, 2023, to allow for necessary systems adaptations and validation testing as well as communications and outreach to affected employees and employers. As a large number of VRS-related pieces of legislation are being proposed this year, additional time is needed in order to provide for the effective implementation of concurrent legislative initiatives.

If the intent is to retain the current and more flexible election process for enhanced hazardous duty benefits, VRS is also requesting that “and” in line 26 be replaced with the previous language “or.” Using the previous language, employers were able to elect hazardous duty benefits for each specific group of employees listed. By changing “or” to “and,” VRS believes that this would no longer allow employers to select among the different groups of employees listed and would only allow them to elect enhanced hazardous duty benefits for all of the categories of employees listed or none of them. VRS is also suggesting that a definition of juvenile detention specialist would be important and of great assistance in determining which employees should receive the enhanced hazardous duty benefits. A proposed definition follows:

For purposes of this section, a juvenile detention specialist is a full-time salaried governmental employee of a detention home as defined in § [16.1-228](#), excluding any state-operated facility, whose job responsibilities include direct care and control of a child, as defined in § [66-12](#), and whose primary job responsibilities include (i) maintaining the safety,

care, and well-being of residents; (ii) implementing the structured program of care and the behavior management program; and (iii) maintaining the security of the facility.

12. Other Comments:

This bill would add “juvenile detention specialists” to the categories of local employees who are eligible for enhanced hazardous duty benefits and requires that localities that employ juvenile detention specialists provide them with enhanced hazardous duty benefits.

Local employers that participate in VRS may make an irrevocable election to provide categories of hazardous duty employees specified in § 51.1-138 with benefits equivalent to those provided under the State Police Officers’ Retirement System (SPORS). Benefits for SPORS members include a supplement payable from retirement until the retiree’s Social Security normal retirement age, as well as a higher multiplier of 1.85, instead of 1.7. Currently, employers may elect either the 1.7 multiplier or the 1.85 multiplier. Age and service requirements for an unreduced retirement benefit also differ for those with enhanced hazardous duty benefits. VRS normal retirement age is age 60. Eligibility for an unreduced benefit is age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit.

In addition, the bill as drafted no longer allows localities to select among the various categories of employees listed going forward, and instead if a locality wishes to elect enhanced hazardous duty benefits for any of the categories it must elect the benefits for all categories.

Whether a locality elects enhanced hazardous duty benefits or not, the legislation requires all political subdivisions that employ juvenile detention specialists to provide enhanced hazardous duty benefits to these employees.

Even with the definition proposed above, there is currently no job name for juvenile detention specialists employed by political subdivisions, and it will be difficult to determine which employees are eligible for the benefits since employees are not reported under this job name. VRS will have to rely on employers to identify which employees are juvenile detention specialists. Further, VRS will have to create the appropriate job name in our system.

The enhanced hazardous duty benefits will be applied to an employee’s prior service, if any, as a juvenile detention specialist. In order to retire with the enhanced benefits juvenile detention specialists must generally have at least five years of hazardous duty service except in limited circumstances for employees who were in service on June 30 and July 1, 2002.

Approximately 205 state employees with similar job responsibilities who are employed by the Department of Juvenile Justice are covered under VaLORS.

In its 2008 *Review of State Employee Total Compensation* report, <http://jlarc.virginia.gov/pdfs/reports/Rpt378.pdf>, the Joint Legislative Audit and Review Commission (JLARC) developed an assessment of several occupational groups. JLARC

rated these groups based on level of risk and responsibility (see Appendix D, pages 156-58). In addition, JLARC proposed guidelines that could be used in conjunction with its risk and responsibility assessment to determine whether an occupation should receive enhanced benefits. While the report focused more specifically on roles within state government agencies and evaluating such roles for potential membership in VaLORS, JLARC's guidelines could be applied when reviewing the inclusion of new employee groups for coverage with enhanced hazardous duty benefits. Below is an excerpt from JLARC's report:

“...Indicators such as informal SPORS and VaLORS membership criteria and actual enhanced plan membership indicate that any employee being considered for enhanced benefits should show an elevated risk of job-related injury and be directly responsible for protecting the safety of others, especially members of the public. Based on the work conducted during this review, JLARC staff have compiled a set of guidelines that can be used in conjunction with the assessment presented Table D-2 to ascertain if a given occupation merits consideration for enhanced benefits...”

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